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STATEMENT OF
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BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
01 MARCH 2006

CNO's Posture Hearing
FY 2007 Budget

Mr. Chairman and members of the Committee, it is a privilege for me to appear before you today, and it is with pride and humility that I address you for the first time since becoming the Chief of Naval Operations in July of last year. In November of 2005 our service celebrated 230 years of honor, courage, and commitment to the ideals that make our country a beacon of freedom and democracy spanning the world's waterways. The greatest honor I will ever have is to serve and represent the Sailors and civilians - the PEOPLE - who ARE your United States Navy.

During my confirmation testimony last April, I identified three challenges facing our Navy: the need to sustain combat readiness at a high level; the need to build a Navy capable of meeting the most demanding future threats; and the need to transform our manpower and personnel system to better serve and to be more responsive to our people.

Having now been in the job for a little more than six months, I have visited our Fleet, have observed numerous operations at home and overseas, participated in the comprehensive Quadrennial Defense Review, and met with the Chiefs of many foreign navies. This has helped shape my perspective of our Navy today and where I believe we need to go in the future. It has also validated the challenges I identified last April as the right priorities upon which we must focus. It is my belief that the QDR and our FY 2007 budget are the first steps toward establishing this critical balance between maintaining current readiness, building a future Navy, and serving our people. Your Navy remains first and foremost a warfighting, seagoing service.

This budget:

- **Sustains combat readiness** ... with the right combat capabilities - speed, agility, persistence, and dominance - for the right cost.
- **Builds a fleet for the future** ... balanced, rotational, forward deployed and surge capable - the proper size and mix of capabilities to empower our enduring and emerging partners, deter our adversaries, and defeat our enemies.
- **Develops 21st Century leaders** ... inherent in a strategy which, through a transformed manpower, personnel, training and education organization, better competes for the talent our country produces and creates the conditions in which the full potential of every man and woman serving our Navy can be achieved.

Our future Navy will ensure access and sustainability of the Joint Force in blue, green, and brown waters through globally distributed and networked operations. It will do so in partnership with the Marine Corps, and will be symbiotic with the Coast Guard, as envisioned in the President's National Strategy for Maritime Security. It will be a larger and more lethal fleet of faster ships, with capacity to overmatch our most capable adversaries, including any future strategic competitors, and to further develop our emerging and enduring partnerships worldwide. It will rely on Joint seabasing that will provide for sustained, air and ground anti-access operations in access-restricted environments. It will leverage both manned and unmanned capabilities. It will build upon the programmatic foundation of FORCENet and Sea Power 21.

Sea Power in this new century will require speed, agility, persistence, and dominance. To achieve this your Navy must deliver a balanced force of the right capabilities, the right mix, the right size, at the right cost.

Introduction

During my recent tour in Europe, as Commander U.S. Naval Forces and Commander, Joint Force Command, Naples I gained an extraordinary appreciation of the partnership of nations - not only through NATO's engagement in the Global War On Terror, Operation ACTIVE ENDEAVOR in the Mediterranean, and NATO's training mission in Iraq - but through the multitude of operations conducted daily with our Allies and emerging partners throughout the European Command Area of Responsibility. I also learned, first hand, that staying the course in post-conflict Bosnia and Kosovo had paid rich dividends as military presence was eventually transitioned to civilian infrastructures and maturing rule of law. Here, too, partnerships were the key, including multi-national militaries, non-governmental organizations (NGO), and interagency and international community players. Interoperability and timely communication remain critical. Throughout Europe, the Caucasus, and Africa I witnessed the true value of our Navy's work with emerging and enduring partners through the Theater Security Cooperation program.

We are building confidence, trust, and lasting relationships that will most assuredly prevent future crises and conflicts.

In July of last year I took over a Navy in great shape, with Sailors and civilians at the peak of readiness and proud of their warfighting ethos. I set about defining the capabilities needed to remain strong and to prevail in this new century. It wasn't long, though, before hurricanes Katrina and Rita devastated our Gulf coast. I was reminded of the power of the sea, and was struck by the tremendous potential of "Sea Power." Our Navy answered the call just as we had after the Indonesian tsunami, where no other institution in the world was better equipped or more ready to respond than your Navy. In a powerful demonstration of the flexibility provided by the Fleet Response Plan, 23 ships sailed to the Gulf. The hospital ship USNS COMFORT, sister ship to the MERCY that had opened the world's eyes to America's compassion following the tsunami, was underway within 72 hours.

USS BATAAN was the first Navy responder, arriving in the vicinity of New Orleans one day after Katrina's landfall, coordinating helicopter rescue efforts with the Coast Guard and providing medical care to some 800 evacuees. HSV-2 SWIFT's high speed and shallow draft combined to make it an ideal platform for the delivery of relief supplies and the support of other platforms operating in the Gulf area, just as it had during relief operations in Indonesia. In both cases, SWIFT was able to reach ports inaccessible to other ships in the logistics force and played a critical role in the early delivery of supplies. More than 3,300 Seabees paved the way to hurricane recovery by clearing 750 miles of roads, removing more than 20,000 tons of debris, restoring 60 schools serving 40,000 students, and completing 453 utility projects.

The crew of USS TORTUGA essentially conducted a non-combatant evacuation in the flooded parishes of New Orleans ... taking their boats inland to pull people out of dilapidated houses. The HARRY S TRUMAN, uncharacteristically carrying no strike aircraft, anchored off shore with 19 helicopters embarked and provided a ready deck for rescue helicopters that saved lives through dramatically decreased response times. USS IWO JIMA, pier side in downtown New Orleans, served as the city's only functional airport, command center, hotel and hospital. I met with Vice Admiral Thad Allen of the Coast Guard aboard IWO JIMA shortly after he had taken command of FEMA's efforts - and he raved about the significant role the ship was playing in the crisis and the brilliant performance of her crew.

And this reminded me of a comment I had heard in Europe following our tsunami relief effort from an individual representing an NGO. She said, "Thank God for the U.S. Navy. No other institution in the world could have responded with that level of effort so quickly." And it struck me that our Navy really is like a "city at sea," offering hope and relief in times of crisis. We have seen it again, in the wake of the Pakistani earthquake, where Navy ships, aircraft, Seabees and medical personnel lent a helping hand and made a difference in winning hearts and minds in the Global War on Terror.

In September I addressed the International Sea Symposium - 49 Chiefs of Navy and Coast Guard and representatives from 72 countries in Newport, Rhode Island. My topic was "Establishing a Global Network of Maritime Nations for a Free and Secure Maritime Domain." And while I asked the

participants to imagine an international maritime force of 1,000 ships - the world's navies and coast guards working together to face the challenges of a new era - I realized this was becoming a reality before my very eyes. There were meaningful discussions taking place regarding regional cooperation in countering piracy, terror, and the proliferation of weapons of mass destruction. There were testimonials from NATO and ASEAN navies, and from South American and African navies. And it occurred to me that this is what Sea Power in the 21st Century is all about. The U.S. Navy has taken the lead as a global maritime force for good, and there are plenty of nations willing and eager to do their part.

But the Navy's capabilities extend beyond traditional missions of sea borne shaping and stability operations, conventional and irregular warfare, freedom of navigation, homeland security, and deterrence. In fact, the Navy is tackling new missions every day that don't involve ships. More than 10,000 sailors are currently on the ground in the CENTCOM AOR, 4,000 of whom are in Iraq. In March of this year, the Navy will take command of the detainee mission in Guantanamo Bay, Cuba. We recently took command of a new high security prison in Iraq. In April, a Navy Admiral will take command of the Joint Task Force Horn of Africa in Djibouti.

This is in addition to counter piracy operations off east Africa and a return visit to Southeast Asia and the South Pacific from Navy medical personnel aboard USNS MERCY. Soon, we will have a riverine capability that will extend the outreach of our newly established Navy Expeditionary Combat Command and Expeditionary Security Force into the world's shallow waterways. Whether extending a helping hand or fixing, finding and finishing our enemies, we are redefining the limits and meaning of Sea Power in the 21st Century.

Over the past two months, I have visited our Sailors at Guantanamo and in the CENTCOM AOR, spending time in Iraq, Kuwait, Bahrain, Djibouti and at sea in the North Arabian Gulf. I have also recently been to Japan, Korea, Guam, and Hawaii. In every respect, these were terrific trips, eye-opening and encouraging. Our people are doing amazing things. Their morale is high, their sense of accomplishment firm. I didn't speak with a single Sailor who didn't know how, or to what degree, his or her job contributed to the overall effort in this war. In fact, you would be hard pressed to find one who didn't believe what he or she was doing was the most important thing that could be done.

It was against this operational backdrop that we tackled the QDR, the most comprehensive review of its type since the first was produced more than a decade ago. For the first time, the QDR was conducted in a time of war. It represents an important step in a continuum of transformation that began more than five years ago. The Navy was an integral participant in the QDR process and I am confident in the course it sets for DoD and the Navy.

QDR 2006 has helped shape a Naval force with increased capability and capacity. Specifically it:

- Re-affirms the need for a forward deployed, rotational, and surge capable force to provide persistent awareness and decisive joint combat power when and where needed;
- Supports a modern, fast, and lethal fleet of ships able to fight in all waters around the globe;
- Expands capability to conduct conventional and irregular warfare, especially in littoral waters;
- Expects the Navy and Marine Corps team to project its combined air, land, and sea power from innovative "sea bases" of ships and personnel, regardless of access to land bases. This will better enable us to engage in missions ranging from traditional combat and special operations to humanitarian assistance and disaster relief.
- Increases our ability to enhance the capabilities and capacity of partner nations.
- Improves DoD's contribution to the active, layered defense of our homeland, working closely with the United States Coast Guard and other agencies.
- Provides 60% of our submarines and six operational aircraft carriers to the Pacific.

In summary, the QDR and my own recent experiences, further support my three priorities and have helped shape the following eight tenets that guide my Vision for the 21st Century Navy:

1. America is and will remain a maritime nation.
2. We live in a challenging new era.
3. The Navy will remain rotational, forward deployed, and surge capable.
4. The level of maritime cooperation will increase.
5. New opportunities and security challenges require new skills.
6. Calculating the size of the force demands balance between capabilities, capacity, and fiscal reality.
7. The future fleet will be more capable, larger, and more lethal.
8. Sea Power 21 will remain the framework for our Navy's ongoing transformation.

Navy's VISION

Americans secure at home and abroad; sea and air lanes open and free for the peaceful, productive movement of international commerce; enduring national and international naval relationships that remain strong and true; steadily deepening cooperation among the maritime forces of emerging partner nations; and a combat-ready Navy -- forward-deployed, rotational and surge capable -- large enough, agile enough, and lethal enough to deter any threat and defeat any foe in support of the Joint Force.

I. Sustaining Readiness

A. Taking a Fix

Current Operations:

We are a maritime nation, and we are at war. For the last 230 years, our Navy has defended our shores, kept our sea-lanes free, and promoted our national interests around the globe. For generations, our Navy has been the world's premier maritime force for freedom, time and again proving its flexibility and unique adaptability in support of liberty, national security, and our economic viability.

Your Navy today is in great shape. Readiness is high. Maintenance is being performed faster and more efficiently. Recruiting and retention remain strong. Our people are motivated, well trained and battle-tested. They understand the mission, their role in it, and the importance of the effects they are achieving. In addition to the critical strategic deterrence our forward presence and global strike capabilities represent, there are more than 10,000 of our shipmates on the ground in Kuwait, Afghanistan, Iraq and the Horn Of Africa. Many thousands more are deployed aboard ships at sea in direct support of the Global War on Terror and regional deterrence, strengthening capabilities and relationships with our enduring and emerging partners, and dissuading potential adversaries from attempting to threaten our freedom at home or abroad. They are performing magnificently.

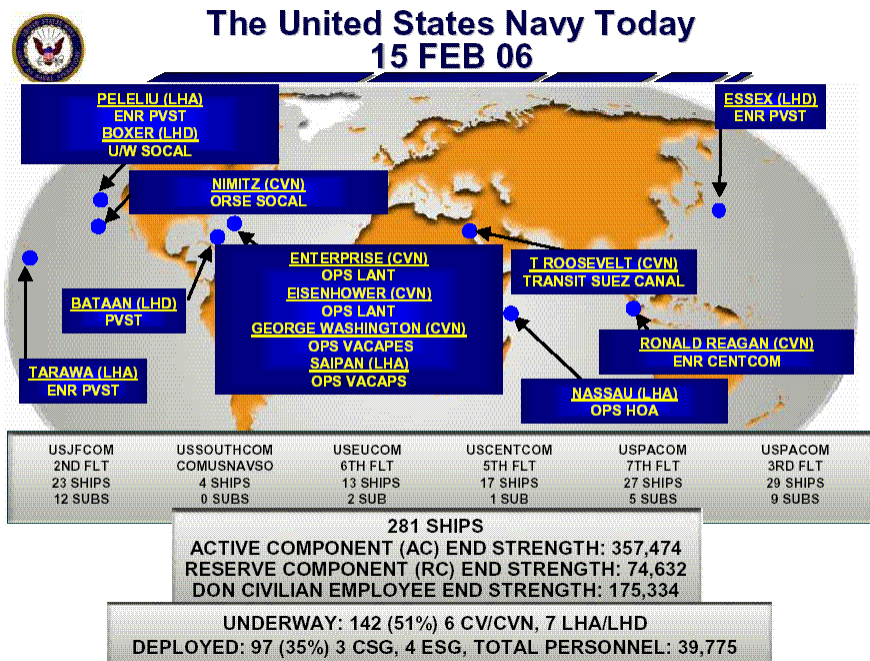


Figure 1

While numbers vary slightly with daily operations, on 15 February 2006 we had 97 ships on deployment (35% of the Fleet) and 142 ships underway (51% of the Fleet) serving our Combatant Commanders in every theater of operation; this includes six aircraft carriers, seven big deck amphibious ships (LHA/LHD), and 29 submarines (Figure 1). On that day there were 2,614 active and reserve Seabees working tirelessly overseas to provide our Joint force and many civilians with vital infrastructure such as roads, runways, schools, and hospitals. There were also 3,574 of our active and reserve medical corps serving in foreign and sometimes hostile environments. Additionally, 673 members of the Navy Special Warfare community were deployed overseas (of 3,633 deployable), as were 256 Explosive Ordnance Disposal personnel (of 1,321 available to deploy), and 838 security personnel (of 5,929 deployable).

On 15 February 2006, there were 39,775 of our Sailors deployed in support of the nation's interests in the Persian Gulf, the Mediterranean, the Indian Ocean and the Western Pacific, continuing operations like strategic deterrence; intelligence, surveillance and reconnaissance missions; Extended Maritime Interdiction, counter piracy and counter-drug patrols. No less vital are the sailors and civilians - the Total Navy - who serve the shore-based infrastructure that underpins our Fleet worldwide.

The FY 2007 budget provides funds necessary to support 36 underway days per quarter of the active operational tempo (OPTEMPO) for deployed forces and 24 underway days per quarter for non-deployed forces (primarily used for training). Our FY 2007 baseline budget estimates also include reductions to peacetime OPTEMPO levels. For aircraft carrier OPTEMPO, the FY 2007 budget supports the "6+1" surge readiness level. As in FY 2006, it is anticipated that operational requirements will continue to exceed peacetime levels in FY 2007.

Oceans that once served as insulating barriers now provide open access to friends and enemies alike. The world's waterways are open highways that are becoming more congested with pirates and those trafficking in drugs, weapons of mass destruction, illegal immigrants, slaves, criminals, and terrorists. 95% of U.S. overseas trade travels by water and that volume is expected to double by 2020. Our nation's prosperity depends upon unimpeded maritime commerce just as our security demands continued maritime dominance. Sea Power in the 21st Century must provide this assurance while serving as freedom's global lifeline.

Whether spearheading Operation ENDURING FREEDOM (OEF) by providing sovereign deck space from which to launch the war in Afghanistan, continuing to support ground operations in Iraq from the sea, in the air and on the land as part of Operation IRAQI FREEDOM (OIF), conducting deterrence operations in the Persian Gulf, responding to humanitarian crisis in Indonesia or Pakistan, patrolling for pirates and interacting with developing navies in Africa, serving with the NATO Response Force in Europe, supporting counter-terrorism operations in the Philippines, exercising with the navies of Russia and India, or remaining keenly vigilant while expanding cooperative interaction with others, our Navy must work in non-traditional ways with our global partners to preclude or forestall conflict. Equally important is that our Navy maintain its strategic deterrence and global strike capabilities that remain vital to our nation's defense.

Emerging Missions:

In March of this year, the Navy will take command of Joint Task Force Guantanamo, relieving the U.S. Army of that mission. In May of this year, the Navy will take command of the Joint Task Force, Horn of Africa, relieving hundreds of Marines who have led that effort since October 2002. Almost 500 sailors have already begun performing security duties at Fort Suse Prison in Iraq.

As the Navy develops shallow water and riverine capabilities, we will seek increasing synergies with the Coast Guard, at home and abroad, exploring complementary design, acquisition, operations and training initiatives. Working cooperatively with the Joint Services, inter-agency, allied, coalition, and non-governmental organizations, our Navy will expand our global Maritime Domain Awareness and provide unique operational options for the President of the United States and our Combatant Commanders.

B. Plotting the Course: Where we're heading in Sustaining Readiness

The world has entered a "new era" in which our military is confronting a highly dynamic security environment far more complex, uncertain, and potentially threatening than any we have faced before. While this is a time of promise and developing partnerships, it is also an era of irregular and increasingly *unrestricted* warfare. Our adversaries, unable and unwilling in some cases to match our technological warfighting advantage, will increasingly resort to whatever means are available to wreak havoc and destruction - physically, economically, and psychologically - unhindered and unconstrained by moral conscience

or social norms. To be effective in this environment, our Combatant Commanders need tools that are not only instruments of war, but implements for stability, security, and reconstruction.

To be successful as an interdependent part of the U.S. Joint Force, our Navy must be balanced. We must be balanced in our support of diplomatic, informational, military and economic efforts intended to positively influence the world's diverse people and cultures. We must be balanced in our global maritime presence: providing non-threatening outreach to emerging and enduring partners while demonstrating overwhelming military superiority and unflinching determination to our adversaries.

We must at the same time represent hope and empowerment to our friends and convincing deterrence to our enemies. The United States Navy will need to be a highly visible, positive, engaged, and reassuring presence among the global maritime community of nations - sometimes a "cop on the beat," but always a respected and valued member of a global neighborhood watch. We must encourage nations to provide security within their territorial waters and to seal seams between neighbors, either by accepting assistance to improve their own capabilities, or through collective security and information sharing arrangements.

We must adopt a more comprehensive and coordinated approach to regional engagement, synchronizing our efforts with other services, agencies, and allied nations through the Theater Security Cooperation program, shaping, and stability operations. Wherever the opportunity exists, we must develop and sustain relationships that will help improve the capacity of our emerging partners' maritime forces. We will do this through the deployment of expeditionary teams capable of addressing specific developmental deficiencies. From personnel specialists and base infrastructure advisors, to trainers afloat and network consultants, these tailored teams will foster the ability of partner nations to contribute to collective security and shared maritime domain awareness, and to fend off threats to their economic and regional stability.

To enable our operations at home and away, our Navy, in partnership with the Coast Guard, must be supported by the right information at the right time - expanding Maritime Domain Awareness throughout the global commons and the world's shallow waterways. In pursuit of pervasive and persistent Intelligence, Surveillance, and Reconnaissance, however, we must ensure the "unblinking eye" does not become an "unthinking" eye. In a world of growing global connectivity, the volume of information we are able to collect matters less than our ability to identify and understand what is important. Our Sailors must learn to recognize what matters, to comprehend the implications of the complex information they gather, so that we can act upon it instantly, with the right capabilities, when required to do so.

Naval Intelligence remains focused on addressing the multitude of intelligence requirements from the fleet, theater, and National decision makers, augmenting and transforming its intelligence capability to support the increasing range of Navy missions. The intelligence and cryptologic resources requested in the President's budget submission will allow the Navy to remain postured to support the

war against terror, defend the homeland, shape the environment overseas, and counter the most capable potential adversaries.

In concert with interagency and foreign partners, we are developing Global Maritime Intelligence Integration (GMII) as part of Global Maritime Domain Awareness (MDA) in support of Joint and Navy operations. It is no longer acceptable to focus intelligence only on the most obvious potential threats. We need, and are building, a capability that will lead us to a more complete understanding of the maritime environment - close to home and abroad. We are shaping our relatively small Naval Intelligence cadre to work more closely with Special Operations Forces, the interagency, the Coast Guard, Joint forces, and our international partners. The establishment of a National Maritime Intelligence Center will further enhance our Maritime Domain Awareness.

Maritime Domain Awareness contributes to the Navy's ability to provide flexible forward presence such as that provided by the Fleet Response Plan (FRP).

The Fleet Response Plan is the maintenance, training, and operational framework through which the Navy meets global Combatant Commander demand signals for traditional (e.g., GWOT, major combat operations, humanitarian assistance/disaster relief, shaping and stability operations, counter piracy, etc.) and emerging mission sets (e.g., riverine warfare, NECC, medical outreach). FRP is mission-driven, capabilities-based, and provides the right readiness at the right time (within fiscal constraints). It enables responsive and dependable forward presence. With FRP we can deploy a more agile, flexible and scalable naval force capable of surging quickly to deal with unexpected threats, humanitarian disasters, and contingency operations.

The Fleet Response Plan maximizes the Navy's ability to respond to emergent crises, changes the way ships are maintained, and keeps the Navy at a high state of readiness. FRP provides the capability of deploying numerous Carrier Strike Groups (CSGs), in whole or in part, immediately to wherever in the world the mission calls, with an additional CSG deploying within 90 days. This planning is currently structured to fulfill a 6 + 1 goal: six CSGs would be ready to deploy within 30 days of notification and another within 90 days.

The ability to surge dramatically shortens response times to any contingency and enables the United States to increase global presence-with-a-purpose as needed. Commander Fleet Forces Command, based in Norfolk, Virginia, is leading the implementation of the FRP across the Navy. Last Fall, the FRP concept was vividly validated by the response to Hurricane Katrina, in which 23 ships were immediately made available for relief efforts. FRP will further help to facilitate Navy's establishment and defense of the Joint Sea Base, allowing for a reduced footprint ashore in anti-access operations.

In the Pacific, response time is exacerbated by the tyranny of distance. Consistent with the global shift of trade and transport, the QDR has recognized the Navy's need to shift more strategic assets to this vital and rapidly developing theater. In the future, approximately 60% of our submarines and six operational aircraft

carriers will be based in the Pacific. The Fleet Response Plan and basing options will provide a rheostat to meet foreseeable forward presence requirements.

As FRP bolsters fleet effectiveness and efficiency, so too does the aviation maintenance program called AIRSpeed.

AIRSpeed is the Naval Aviation business model that has increased the combat effectiveness of Naval Aviation through more efficient business practices. The AIRSpeed program balances and aligns maintenance and supply activities to end-user demands by ensuring the right material is in the right place, at the right time and at the right cost. We are committed to implementing this throughout the Navy. AIRSpeed has moved Naval Aviation away from "readiness at any cost" to "cost-wise readiness" practices, enabling Naval Aviation to answer the call in every corner of the globe.

Another initiative to improve global readiness addresses the expeditionary nature of emerging missions ashore and in coastal waterways. In January of this year, the Navy officially established the Navy Expeditionary Combat Command (NECC) to help meet some of the asymmetric challenges of the 21st Century. The NECC will serve as a functional command in control of manning, training, equipping, and organizing forces that will execute force protection, shore-based logistical support, and construction missions across the Joint operational spectrum.

The Navy plays a vital role in direct and indirect support of Joint stability and shaping operations worldwide. To this end, NECC will re-establish a riverine force to close gaps in very shallow-water littoral areas, ensuring access to the world's waterways. NECC will be the single advocate for the Expeditionary Security Force, to include existing forces/missions (Seabees, Explosive Ordnance Disposal, Expeditionary Security, Naval Coastal Warfare, Mobile Diving and Salvage, Port Handlers, etc) and key new navy capabilities (Riverine, Maritime Civil Affairs Group, Expeditionary Training Team, advanced Visit, Board, Search, and Seizure, etc.).

Our Navy must stand ready to support the current critical and emerging requirements of the Combatant Commanders. Whether this is accomplished through grey hulls, white ships, hard hats, blue shirts, or red crosses, we need to complement the Fleet Response Plan with sustainable Sea Basing, intelligently and selectively applied Sea Swap, and a Forward Deployed Naval Force.

C. Getting Underway: Programs and Practices in Support of Sustaining Readiness

Through FRP, the deployment of adaptable force packages, and the strategic realignment of key assets, the Navy will increase its ability to aggregate and disaggregate the force as required to provide persistent forward presence and overwhelming combat power. This supports the nation's requirement for an immediate, credible response and sustainable naval forces necessary not only to fight the GWOT, but also to support a meaningful naval presence in key areas of concern to U.S. strategy and policy.

Programs and practices of particular interest include:

Fleet Response Plan:

As highlighted by the QDR, the Fleet Response Plan (FRP) is an on-going mission-driven means to provide the right readiness at the right time (within fiscal constraints). FRP enables responsive forward presence and drives our ability to answer the Combatant Commanders' demand signals. With FRP, Navy has deployed and developed a more agile, flexible and scalable naval force capable of surging quickly to deal with unexpected threats, humanitarian disasters and contingency operations.

Sea Swap:

Sea Swap is an initiative designed to keep a single hull continuously deployed in a given theater, replacing the entire crew at six-months intervals. The primary objective is to effectively and efficiently increase forward Naval presence without increasing operating cost. Navy commenced its second Sea Swap experiment in March 2005 with three East Coast destroyers - USS GONZALEZ (DDG 66), USS LABOON (DDG 58), and USS STOUT (DDG 55). The first of the three overseas swapping of the crews occurred in September 2005. While the results of these experiments are still being evaluated, it is clear that when selectively applied, Sea Swap will offer greater flexibility in the deployment of a variety of platforms.

Forward Deployed Naval Forces (Japan):

The government of Japan has agreed to have USS GEORGE WASHINGTON (CVN 73) replace the USS KITTY HAWK (CV 63) as our forward deployed aircraft carrier at the Yokosuka naval base. The move represents a strong commitment to the security of the Asian Pacific region and our alliance. The GEORGE WASHINGTON will become the first nuclear aircraft carrier to join the Navy's permanently forward deployed naval forces (FDNF), replacing the conventionally powered the KITTY HAWK in 2008.

Facilities Recapitalization:

Facilities Recapitalization is comprised of Modernization and Restoration. Modernization counters obsolescence by updating and renewing a facility to new standards or functions without changing the fundamental facility size. Restoration includes repairs necessary to restore degraded facilities to working condition beyond design service life (C3/C4 corrections) or to fix accidental damage from natural disaster, fire, accident, etc. Our goal is to modernize facilities at a rate of 67 years (Recap Rate). The restoration goal is to eliminate all C3/C4 deficiencies by 2013.

Facilities Sustainment:

Facilities Sustainment includes those maintenance and repair activities necessary to keep facilities in working order through their design service life. It includes regularly scheduled maintenance and major repairs or replacement of facility components that are expected to

occur periodically throughout the life cycle of facilities. The FY 2007 Sustainment Rate is 91% of the Facility Sustainment Model (FSM).

Utilities Privatization (UP):

Navy had originally planned to complete all competitive UP evaluations by September 2005. However, delays for 159 utilities systems have extended the completion schedule. To date, Navy has completed Source Selection decisions for 486 of our 645 systems.

Environment and Marine Mammal Protection Act:

Effective Antisubmarine Warfare (ASW) is critical to ensuring the Navy's ability to defend national interests around the world. The Navy's ASW forces must be highly trained and capable in littoral-water operations in order to provide assured access for the Joint Force to strategic areas worldwide.

The Navy takes seriously our responsibility to act as good stewards of our natural resources and incorporates protective measures into training to minimize effects on the environment. The Navy is committed to environmental compliance, and we are committed to working with those interested in protecting valuable environmental resources.

The Navy's use of sonar, and the ability to test and train with it, is critical to operational readiness and our national defense. Effective use of active sonar is a perishable skill that demands realistic training. The Navy recognizes that such active sonar testing and training must be accomplished in an environmentally sound manner that is science-based and protective of marine life.

The Navy has recently published a Draft Environmental Impact Statement (DEIS) for an Undersea Warfare Training Range (USWTR) to be located off of the East Coast of the United States. This DEIS marks the first time the Navy will apply for a permit under the Marine Mammal Protection Act for a permanent training range vice a one-time training authorization. The Navy's Fleet Forces Command and Regional Staffs are cooperating with federal and state agencies throughout the process to keep them informed and to coordinate for the appropriate permits.

Intelligence Surveillance and Reconnaissance (ISR):

Navy Human Intelligence (HUMINT) initiatives remain consistent with those of USD(I) and, in cooperation with Defense HUMINT, we are creating Navy manned, maritime collection elements worldwide. These elements will provide maritime focused collection capability, postured to capitalize on regional opportunities, and prosecute the GWOT and other non-traditional missions.

Furthermore, the Navy has established Maritime Interception Operations (MIO) Intelligence Exploitation Teams to increase on-scene intelligence collection and exploitation during MIO boardings in support of OEF and OIF. This unique effort will significantly reduce time lags between MIO boardings and analysis of intelligence collected.

Additionally, Navy is creating a cadre of trained and certified Navy interrogators to sustain operations at the Joint Interrogation Facility at Guantanamo Naval Base, Cuba and to support future Joint interrogation requirements.

Advanced Deployable System (ADS) is a rapid, unobtrusively deployed undersea surveillance system and capability focused against enemy diesel-electric submarines, nuclear submarines, high-interest merchant shipping and the detection of sea-mine laying activities in the littorals.

COBRA JUDY Replacement (CJR) is a deployed shipboard radar system designed to collect high fidelity radar data in support of treaty monitoring obligations and U.S. missile defense system testing. CJR is the functional and operational replacement for the current COBRA JUDY system and the USNS Observation Island hull, which has reached the end of its service life.

Submarine Support Equipment Program (SSEP) develops Electronic Warfare Support (EWS) systems improvements to enhance operational effectiveness in the increasingly dense and sophisticated electromagnetic/electro-optic littoral environment. SSEP provides agile threat warning capability to respond to emerging threats.

Distributed Common Ground/Surface Systems (DCGS) is a Joint family of interconnected C4I systems for posting, processing, exploiting, and updating ISR information. The Common Data Link (CDL) program ensures interoperability between the airborne ISR platforms and the family of ground systems.

II. Building the Future Force

A. Taking a Fix

The QDR included a rigorous evaluation of requirements and budgetary constraints that will shape how we confront the very uncertain and challenging security environment of this new century and the "long war" in which we are currently engaged. The fleet we are building today, and the leaders we are training, will be the Navy that confronts tomorrow's challenges. The environment in which that force operates will be very different from that in which we have come of age.

Due to the fiscal and temporal realities associated with the design and development of modern, sophisticated weapons systems, the Navy is continuing to transform. As recognized in the QDR, the size and capabilities of our force are driven by the challenges we will face. The capacity of the force is determined by its global posture in peacetime and the requirement to respond from this posture, as well as to surge, in crisis. In the case of our Navy, it is based upon the need for a ubiquitous but carefully tailored maritime presence that can provide our President and our allies with strategic options in support of dynamic security requirements.

The Navy recently submitted to Congress our 30-Year Shipbuilding Plan designed to replenish the fleet, while stabilizing workload and funding

requirements. A stable plan will allow the shipbuilding industry to maintain critical skills and to make sound corporate decisions to best meet the Navy's projected shipbuilding requirements.

A stable shipbuilding industry is essential to sustain optimum employment levels and retain critical skills to meet our requirements for an affordable and capable force structure. We must align the industrial base for long-term force development through advanced procurement and incentivized cost savings. We must have a robust enough industrial base to withstand natural disaster or catastrophic attack. We must build ships more efficiently, cost effectively, and quickly. To do this, we are committed to help provide stability in the shipbuilding plan and rigorously control requirements. Costs and production schedules must be kept within contractual limits. Industry must be viewed as a trusted partner while we provide a stable baseline upon which to plan.

The 2007 Annual Long Range Plan for Construction of Naval Vessels is an investment plan that is both executable and affordable based on balancing several factors: naval force operational capability, risk, and the ability of the shipbuilding industrial base to execute the plan. The Navy continues to analyze operational requirements, ship designs, costs, acquisition plans, tools, and industrial base capacity to further improve its shipbuilding plan. Full funding and support for execution of this plan is crucial to transforming the Navy to a force tuned to the 21st Century and built upon the foundation of **Sea Power 21 and FORCEnet**.

Our **Sea Strike** capability will continue to revolve around Carrier and Expeditionary Strike Groups, with sufficient lift, sustainability, and TACAIR assets to meet irregular and conventional Joint warfighting requirements.

Sea Basing provides assured access to the Joint force by keeping the logistics tail safely at sea while putting the teeth of the combat forces ashore. The iron mountain of equipment we staged on land in earlier operations, now will come from international waters at sea, minimizing our footprint ashore and the associated permissions required from host nations. Our Sea Basing will be facilitated by large deck, expeditionary warfare ships and connectors, by heavy lift and transport aircraft, by Maritime Prepositioning Forces, and by the combat logistics force.

Our **Sea Shield** capabilities will be advantaged by advanced Anti-Submarine Warfare, inter-netted Under Sea Warfare, and Theater Ballistic Missile Defense (TBMD) technologies, and our submarine fleet will need to maintain its technological edge over all adversaries in warfighting, ISR, detectability, and survivability.

As a primary catalyst for naval transformation, **FORCEnet** has the potential to fundamentally transform operations themselves, generating greater effectiveness, efficiency, and adaptability. Further, through the transformation of systems related to training, administration, recruitment and acquisition, FORCEnet is expected to influence the entire naval enterprise.

As highlighted by the QDR, achieving the full potential of net-centric warfare requires viewing information as an enterprise asset to be shared and as a weapon system to be protected. The underlying power of FORCEnet derives from leveraging the *network effect*, which causes the value of a product or service in a network to increase exponentially as the number of those using it increases. FORCEnet will extend visibility of information and will support a more horizontal command, control and communications structure.

To better fight the Global War on Terror and prevent piracy and the trafficking of weapons of mass destruction, humans, and narcotics we will need faster, multi-mission ships, and the right mix of helicopters, small boats, and combat capabilities. And to expand the number of maritime nations able to contribute to regional stability and join us in the fight against violent extremism, we will need shallow draft ships and more helicopters to better support a variety of training, outreach, and civil affairs operations.

B. Plotting the Course: Where we're heading in Building the Future Force

In building the Navy of the future, access is as important as presence. Whether delivering training, humanitarian assistance, or lethal combat power our Navy cannot be restricted in its access to the world's navigable waterways. Conducting disbursed and networked operations, with the proper force mix, people, and tools, will enable us to simultaneously fight an irregular war, defend the homeland, and participate in pro-active, cooperative engagement on a day-to-day basis while retaining the capability to rapidly aggregate dominant combat power to deter or conduct Major Combat Operations should they arise.

Two challenges, one Navy.

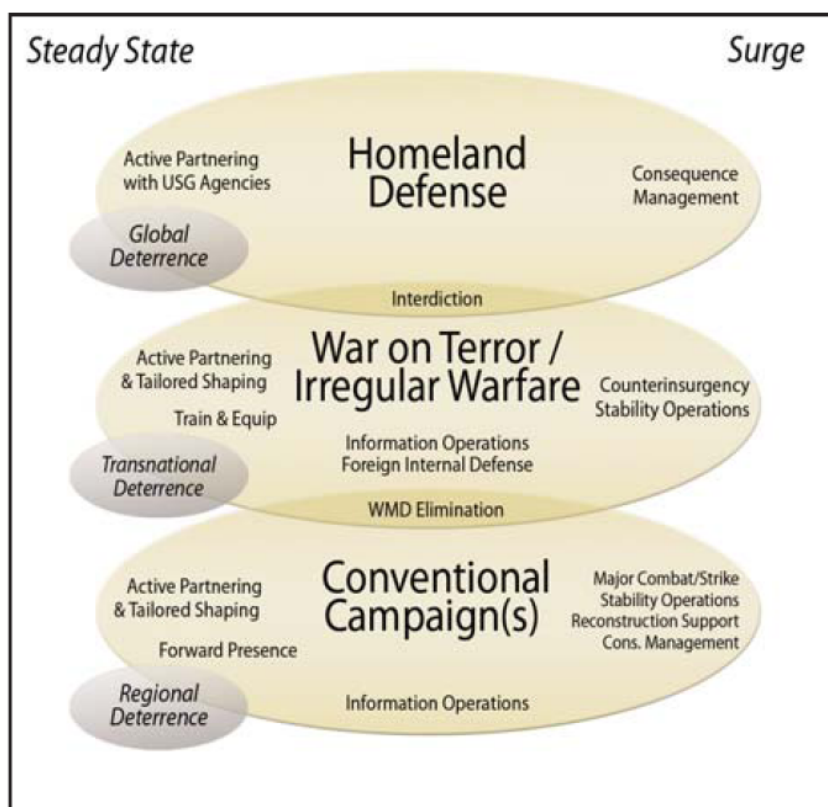


Figure 2

As part of the QDR process, the Navy used a capability-based approach (shown above in Figure 2) to calculate the size and composition of the future force required to meet expected Joint force demands in peace and in the most stressing construct of the Defense Planning Guidance. Further, we evaluated detailed assessments of risk associated with affordability and instabilities in the industrial base. The analysis concluded that a fleet of **about 313 ships is the force necessary** to meet all of the demands, and to pace the most advanced technological challengers well into the future, with an acceptable level of risk. The Navy expects to achieve this force structure by FY 2012.

Through transformation, recapitalization and modernization, we seek a balanced force that delivers speed, agility, persistence, and dominance – characterized by disbursed and networked operations, comprehensive maritime domain awareness, cooperative engagement with Allies and partners, and lethal combat capabilities.

Our Naval aviation capabilities are a vital part of this balanced force. Here, too, we must invest in the technology and platforms that will carry us into a future Joint environment of low observability, electronic attack, unmanned aerial vehicles, broad ocean surveillance and reconnaissance, complex command and control, and precision strike. We must outpace and overmatch the most capable technological competitors and overcome the most difficult and time-critical targeting challenges.

Aircraft carrier-based strike capability is a concrete example of the Navy's ongoing transformation. During Operation Desert Storm it took,

on average, more than one "sortie" or flight of strike aircraft to engage a single target. This trend was reversed during Operation IRAQI FREEDOM as technology and operations improved, allowing multiple targets to be engaged per single flight. For example, it took two divisions (eight aircraft) to attack and destroy a single bridge during Desert Storm, but two divisions of F/A-18C Hornets carrying GPS guided bombs attacked more than eight aim points with precision during Operation IRAQI FREEDOM.

In 2020, our Carrier Air Wings with F/A-18E/F Super Hornets and F-35C Joint Strike Fighters will attack targets at nearly twice the range currently possible. They will do this in the highest threat environments without the extensive tanker support required today, and they will destroy more targets with 24/7 persistence.

As underscored by the response to the tsunami and hurricanes, we must also have a robust rotary wing capacity. This will be achieved primarily through recapitalization and modernization programs such as the CH-53X and the MH-60R/S. The flexibility and versatility of rotary winged aircraft have proven increasingly more valuable in support of the Global War on Terror, Anti-Submarine Warfare, humanitarian and disaster relief operations, Theater Security Cooperation programs, and logistics support. We must consider this in future acquisition planning.

The Navy's challenge is to build an affordable fleet for the future with the capability and capacity to meet Joint demands for naval forces that range from Homeland Security and Humanitarian Assistance to Major Combat Operations.

C. Getting Underway: Programs in Support of Building the Future Force

A balanced force of about 313 ships and about 3,800 aircraft meets the criteria we have established for the future. Within this force, eleven aircraft carriers and their associated air wings are sufficient to ensure our ability to provide coverage in any foreseeable contingency and do so with meaningful, persistent combat power. Although there is risk here, we believe the risk is both moderate and manageable.

There is risk in other areas as well. Despite the fact the total SSN numbers drop below 48 between 2020 and 2034, our fast attack submarines will provide the Intelligence Surveillance and Reconnaissance (ISR) capability we need to support indications and warning of any impending threat throughout their areas of operations and will be sufficient to sustain minimum required deployed presence needed for major combat operations.

Surface combatant capability is robust, but does not provide extended Theater Ballistic Missile Defense (TBMD) capacity - that just isn't affordable within the top line we have today. Navy is, however, expanding our currently limited short- and medium-range ballistic missile defense capabilities through the fielding of the Aegis BMD and SM-3 missiles. A future sea-based terminal (SBT) BMD capability will be addressed initially through upgrades to existing missile inventories

and eventually through Navy Open Architecture initiatives in Aegis ships and CG(X).

Our expeditionary capability provides the Joint Forcible Entry capacity necessary to support the sea base as a lodgment point for Joint operations but represents an acceptable decrease in Marine Expeditionary Brigade lift capacity. A myriad of tactical, surveillance and reconnaissance, heavy lift, and support aircraft, as well as a variety of support ships, provide the Navy with sufficient capacity in each mission area.

To win the "long war" against terror we need a Navy that can be many places simultaneously. Engagement with allies and friends is the only effective way to deter this kind of aggression. We must operate with, and show commitment to, our friends around the world in order to ensure their assistance in active pursuit of terrorist organizations. In developing our capabilities and ship-count, we matched the demand signal to ship types and ensured we were not "over-building" our Navy based on this demand signal. Additional global reach is provided, in part, by our flexible Littoral Combat Ship (LCS) platform which leverages modular capability against cost. The planned build of fifty-five FREEDOM Class LCS, augmented by the Navy Expeditionary Combat Command's riverine capabilities, will better serve our Combatant Commanders and complement the capability of our partners worldwide.

Programs of particular interest include:

CVN 77, CVN 21:

Navy plans to launch the aircraft carrier, USS GEORGE H.W. BUSH (CVN 77) in October 2006, and we expect it to enter the fleet in late 2008. Meanwhile, we continue to design the future aircraft carrier, CVN 21, which will serve as the replacement for USS ENTERPRISE and our NIMITZ Class aircraft carriers. CVN 21 balances significantly improved warfighting capability, quality of life improvements for our Sailors and reduced acquisition and life cycle costs. Highlights of these enhancements include: 25% increase in sortie generation rate, nearly three fold increase in electrical generating capacity, and increased operational availability. At the same time, CVN 21 will also achieve over \$300 million reduction in procurement costs, \$5 billion reduction in Life Cycle Costs, and up to 1,000 billet reductions. These manpower reductions are expected in several key areas:

- Damage Control, Bridge / Navigation.
- Warfare System
- Air Wing
- Staffs
- Supply chain Management
- Weapons Handling
- Pit Stop
- Automation

CVN 21 and the Carrier Strike Group will continue to provide forward presence, rapid response, endurance on station, and multi-mission capability to serve our nation's needs for generations to come.

DD (X) :

DD(X), a multi-mission surface combatant tailored for land attack and littoral dominance, will provide independent forward presence and deterrence, and operate as an integral part of Joint and combined expeditionary forces. DD(X) will capitalize on reduced signatures and enhanced survivability to maintain persistent presence in the littoral. DD(X) program provides the baseline for spiral development to support future surface ships as part of Navy's "Family of Ships" strategy.

With its Advanced Gun System (AGS) and associated Long Range Land Attack Projectile (LRLAP), DD(X) will provide volume and precision fires in support of Joint forces ashore. A GPS guided, 155mm round, LRLAP will provide all-weather fires capability out to 83nm. The DD(X) Dual Band Radar represents a significant increase in air defense capability in the cluttered littoral environment. Investment in Open Architecture and reduced manning will provide the Navy life cycle cost savings and technology that can be retrofit to legacy ships.

The Open Architecture environment in the DD(X) Total Ships Computing Environment will allow Navy to rapidly and cost effectively upgrade ships through software changes while avoiding costly hardware changes. This in turn will allow us to keep ships viable against emerging threats and avoid the high cost of supporting numerous baselines, a problem that we are paying for in the AEGIS program today.

CG (X) :

While DD(X) is a multi-mission destroyer tailored for land attack and littoral dominance, CG(X) will be focused on sea-based solutions to Theater Ballistic and Cruise missile gaps. CG(X) will provide airspace dominance and protection to all Joint forces operating with the Sea Base and will reach IOC in 2019. CG(X) will bring to sea significant warfighting capabilities.

LCS:

Navy will commission the first Littoral Combat Ship, USS FREEDOM (LCS 1) in FY 2007. The FREEDOM Class will be a fast, agile and networked surface combatant with capabilities optimized to assure naval and Joint force access to contested littoral regions. LCS operates with focused-mission packages that deploy manned and unmanned vehicles to execute a variety of missions, including littoral anti-submarine warfare, anti-surface warfare and mine countermeasures. Innovations for the LCS include:

- Focused mission ship with interchangeable mission packages
- Reduced manning to reduce lifecycle cost
- Optimization for warfighting in the Littorals
- Inherent capabilities to increase utility in littorals beyond focused mission packages
- Extensive use of Unmanned Vehicles and off-board sensors for mission packages

- Acquisition Strategy that provides two LCS variants designed to the same requirements
- Contracting for complete systems (less mission packages)
- Seaframe and mission package acquisition strategies that provide for spiral design

LPD 17:

The lead ship of the class, USS SAN ANTONIO (LPD 17) was commissioned on January 14th, and will soon be joined by four other ships currently under construction. LPD 17 functionally replaces four classes of amphibious ships for embarking, transporting and landing elements of a Marine landing force in an assault by helicopters, landing craft, amphibious vehicles, and by a combination of these methods.

LHA (R) :

LHA(R) Flight 0 is a modified LHD 1 Class variant designed to accommodate aircraft in the future USMC Aviation Combat Element (ACE), including JSF/MV-22, and to provide adequate service life for future growth. LHA(R) will replace four aging LHA Class ships that reach their administrative extended service life between 2011-2019. This program maintains future power projection and the forward deployed combat capability of the Navy and Marine Corps. LHA(R) enables forward presence and power projection as an integral part of Joint, Inter-Service and Multinational Maritime Expeditionary Forces.

Modernization:

The Navy must ensure we achieve full service life from our fleet, something we have not done well in the past. Modernization of our existing force is a critical component of our ability to build the Navy of the future. Our platforms must remain tactically relevant and structurally sound for the entire duration of their expected service life.

Naval Aviation modernization efforts continue with the F/A-18A/B/C/D Hornet and the EA-6B Prowler as a bridge to a more capable air wing that will include the F-35 Joint Strike Fighter, the EA-18G Growler, and the F/A-18 E/F Super Hornet. Modernization also continues with the E-2D Advanced Hawkeye, the CH-53X, and the SH-60R/S.

The surface force modernization program will help bridge the gap to DD(X) and CG(X) and mitigates the risk associated with transitioning from legacy combat systems to Open Architecture (OA) compliant commercial off the shelf (COTS) technologies. We expect modernization efforts on our AEGIS CGs and DDGs to enable these ships to realize an expected service life of 35 years. Historically, ships that were not modernized were decommissioned (on average) after 17-20 years of service due to obsolescence of sensors, C4I suites, and combat systems.

Cruiser (Mod) :

AEGIS Cruiser Modification improves war-fighting capability through enhanced self defense (CIWS Block 1B, Evolved Sea Sparrow Missile (ESSM)), expanded information sharing and collaborative

engagement (Cooperative Engagement Capability - CEC), improved littoral ASW capability and significant land attack improvements (Tactical Tomahawk - TACTOM). A comprehensive Mission Life Extension (MLE) package includes the All Electric Modification, SmartShip, Hull Mechanical and Electrical system upgrades and a series of alterations designed to restore displacement and stability margins, correct hull and deck house cracking and improve quality of life and service onboard. This modernization will extend the service life of the AEGIS Cruisers to approximately 35 years.

The SmartShip installation reduces enlisted crew manning on CGs by 13 (297 vice 310). At its inception, the CG Mod Program was not established with a requirement for manning reductions; however, PEO SHIPS has commissioned a Total Ship Integration Team (TSIT) study in conjunction with DDG Mod efforts to determine additional areas for potential manning reductions in CG Mod. The TSIT works with the system program managers and NAVMAC to fully model CG Mod manning with respect to watchstanding, maintenance and fatigue analysis.

Destroyer (Mod) :

The DDG Modernization Program is likewise designed to reduce manning and total ownership costs while increasing warfighting capability. DDG modernization supports the transition to DD(X) and CG(X), and mitigates the risk associated with the transition from legacy combat systems to Open Architecture (OA) compliant, Commercial-off-the-Shelf (COTS) technologies. The intent is to provide a coherent strategy to keep each ship relevant and affordable through their entire 35-year hull life.

VIRGINIA Class Fast Attack Nuclear Submarine (SSN) :

Navy needs to maintain an SSN force structure sufficient to meet current operational requirements, the Global War on Terror, and any potential future threat from near peer competitors. The first 10 VIRGINIA Class (SSN 774) submarines are already under contract. Navy is pursuing a number of cost reduction initiatives intended to lower SSN 774 acquisition costs to \$2.0 billion (in FY 2005 dollars) at a stable build rate of two-per-year, currently planned for FY 2012.

The Navy intends to pursue design modifications to the VIRGINIA Class that will lower acquisition cost, while sustaining or improving warfighting capability. The Navy and our submarine shipbuilders are conducting a detailed study of design options that will dovetail with ongoing production and contracting initiatives and sustain the critical skills necessary for nuclear submarine design. A detailed report meeting the requirements of the National Defense Authorization Act statute and reflecting the outcome of the study will be available later this Spring.

F-35 Joint Strike Fighter (JSF) :

The JSF is an affordable multi-mission strike fighter aircraft that incorporates matured and demonstrated 21st Century technology to meet the war fighting needs of the Navy, Marine Corps, Air Force and eight

other countries. The JSF program pillars are range, lethality, survivability, supportability, and affordability. The U.S., U.K., Italy, Netherlands, Denmark, Turkey, Norway, Australia, and Canada comprise the JSF cooperative partnership. There are three JSF variants: Conventional Take Off and Landing (CTOL), Carrier Variant (CV), and Short Take Off and Landing (STOVL). Department of Navy procurement is expected to be 680 aircraft.

The JSF aircraft carrier (CV) variant is projected to exceed its required 600NM combat radius, and the STOVL variant is projected to exceed its required 450NM combat radius.

F/A-18E/F Super Hornet:

The Super Hornet is the Navy's next generation strike-fighter. The F/A-18E/F replaces the F-14, older model F/A-18, and S-3 carrier-based tankers. F/A-18E/F is five times more survivable than the F/A-18C. The Super Hornet provides a 40% increase in combat radius, a 50% increase in endurance, 25% greater weapons payload, and three times more ordinance bring-back than the F/A-18C. The F/A-18E/F will have the Active Electronically Scanned Array Radar System (AESA), Integrated Defensive Electronic Countermeasures System (IDECM), Joint Helmet Mounted Cueing System (JHMCS), Advanced Targeting FLIR (ATFLIR), Shared Reconnaissance Pod (SHARP), Multi-Function Information Distribution System (MIDS), and Advanced Crew Station (ACS). 246 Super Hornets have been delivered of a total procurement of 460.

EA-18G Growler:

The EA-18G is a two-seat carrier-based replacement aircraft for the EA-6B Prowler electronic attack aircraft. The Growler is scheduled for initial operational capability (IOC) in 2009. The Growler shares a common airframe with the F/A-18F Super Hornet. A total inventory of 90 aircraft is planned for service in 11 squadrons. EA-18G upgrades include the destruction of enemy air defenses with Joint weapons, advanced RF receiver and jamming modes, integrated peer-to-peer networking, integration with stand-in assets, and coordinated off-board Electronic Support (ES).

F/A-18A/B/C/D Hornet:

The F/A-18 Hornet is Naval Aviation's primary strike-fighter. The Hornet is the workhorse of Navy/Marine Corps tactical aircraft and is also flown by the armed forces of seven allied and friendly countries. Its reliability and precision weapons-delivery capability highlight the Hornet's success. Improvements to the Hornet A/B/C/D variants provide state-of-the-art war fighting enhancements in precision strike, anti-air and C4I capabilities. The more than 680 Navy and Marine Corps Hornets will continue to comprise half of the carrier strike force until 2013, and the A/B/C/D Hornet variants are scheduled to remain in the Naval Aviation inventory through 2022.

E-2D Advanced Hawkeye:

The E-2D Advanced Hawkeye (AHE) program will modernize the current fleet of aircraft carrier based airborne early warning E-2C aircraft. AHE will have a new radar and other aircraft system components that

will improve nearly every facet of tactical air operations. The modernized weapons system will be designed to maintain open ocean capability while adding transformational littoral surveillance and Theater Air and Missile Defense capabilities against emerging air threats in the high clutter, electro-magnetic interference and jamming environment. The AHE will be one of the four pillars contributing to Naval Integrated Fire Control-Counter Air. The AHE program plans to build 75 new aircraft. The program is on track to meet the first flight milestone in FY 2007.

P-8A Multi-mission Maritime Aircraft (MMA):

The P-8A is the Navy's next generation MMA, replacing the P-3C. The P-8A missions will include broad area maritime and littoral surveillance, anti-submarine warfare, anti-surface warfare and ISR. The P-8A fulfills the Combatant Commander's requirements for major combat operations, forward presence and homeland defense. It will replace the P-3C on a less than one-for-one basis, and trades 4,500 military billets for 900 contractor billets. IOC for the P-8A is FY 2013.

MV-22B Osprey:

The MV-22 Osprey is the Navy and Marine Corps' next-generation medium-lift assault support aircraft. It will replace the CH-46E and CH-53D. The Osprey will significantly improve the operational reach and capability of deployed forces: The MV-22 is twice as fast, has triple the payload, and six times the range of the airframes it will replace. The Navy and Marine Corps MV-22 requirement is 408 Osprey aircraft.

MH-60R/S Multi-Mission Helicopter:

The MH-60R and MH-60S are the Navy's multi-role helicopters that incorporate advanced sensors and weapons systems to perform a multitude of missions that were previously performed by six different types of aircraft. The MH-60R Multi-Mission Helicopter will replace the SH-60B and SH-60F Seahawk helicopters entirely, and perform the anti-ship role of the fixed-wing S-3 Viking, which is currently being phased out of service. The MH-60R will perform anti-submarine, undersea, and surface warfare missions.

The MH-60S is the Navy's primary Combat Support Helicopter designed to support the Carrier Strike Group and Expeditionary Strike Group in combat logistics, vertical replenishment, anti-surface warfare, airborne mine countermeasures, combat search and rescue, and naval special warfare mission areas.

CH-53X:

The Ch-53X is the follow on to the Marine Corps CH-53E Heavy Lift Helicopter and will have double the lift capacity of the CH-53E. The CH-53X will incorporate more powerful engines, an expanded gross weight airframe, composite rotor blades, an updated cockpit and cargo handling systems and will be more survivable. The CH-53X will serve the Navy's sea base and is an integral part of the Marine Corps 2015 Ship-to-Objective Maneuver doctrine. IOC is planned for 2015.

Broad Area Maritime Surveillance (BAMS)

Unmanned Aircraft System (UAS) :

BAMS UAS is an unmanned aircraft capable of carrying various mission payloads. BAMS UAS will incorporate radar, electro-optical, infrared, and electronic surveillance measures capabilities that will allow BAMS UAS to detect, classify, and identify targets using either active or passive methods. The BAMS UAS is also a key node in the Navy's FORCENet C4I architecture. It will be capable of providing persistent worldwide maritime ISR capability, supporting maritime domain awareness, and providing information that enables commanders to achieve decision superiority.

Global Hawk Maritime Demonstration (GMHD) :

GMHD provides a high altitude, high endurance UAV capability seven years before the IOC of the BAMS UAS. Two Global Hawk UAVs are being procured on an Air Force production and modified with a radar and limited capability ESM suite that support ship detection. GMHD will be used to support testing of persistent maritime ISR technologies, and to help develop Concepts of Operation (CONOPS) and tactics, training, and procedures (TTP) for maritime UAVs.

Joint Unmanned Combat Air System (JUCAS) :

JUCAS is a Boeing industries project that will provide the Navy with a carrier-based UCAV capable of performing strike, suppression of enemy air defense (SEAD), and ISR missions in high threat environments against future air defense systems. JUCAS capabilities will help minimize the risk of loss or capture of friendly forces. JUCAS is anticipated to fulfill ISR missions by 2018, with follow-on strike and SEAD mission capabilities achieved by 2024. The Navy's primary initial objective is to complete aircraft carrier flight demonstration of a tailless UAV. Three land-based vehicles are scheduled for first flight in FY 2007 and will demonstrate in-flight refueling capabilities and limited weapons and sensor integration. Two carrier suitable vehicles are scheduled for their first flights in FY 2008. An aircraft carrier demonstration is scheduled for FY 2011.

MQ-8B Fire Scout Vertical Takeoff UAV (VTUAV) :

The Navy VTUAV is designed to operate from all aircraft-capable ships. VTUAV will carry modular mission payloads and use the Tactical Control System (TCS) and Tactical Common Data Link (TCDL). VTUAV will provide day/night real time ISR and targeting, as well as C4I and battlefield management capabilities to support the Littoral Combat Ship (LCS) core mission areas of ASW, Mine Warfare (MIW), and anti-surface warfare (ASUW). Fire Scout is currently in Engineering and Manufacturing Development (EMD).

Tactical Control System (TCS) :

The Tactical Control System (TCS) provides a common interface for future tactical and medium altitude unmanned aerial sensors (UAS). TCS will enable different UAS to use a common system for mission planning, command and control, and C4I. TCS software will provide a full range of scalable UAS capabilities, from passive receipt of air vehicle and payload data to full air vehicle and payload command and control from

ground control stations both ashore and afloat. TCS gives the Littoral Combat Ship a UAV capability when fielded in conjunction with the Fire Scout VTUAV system. TCS will also be evaluated for use in future programs such as BAMS UAS, MMA, and DD(X).

Pioneer Tactical Unmanned Aerial Sensor (UAS):

The Pioneer UAS System is a transportable ISR platform capable of providing tactical commanders with day and night, battlefield, and maritime ISR in support of Marine expeditionary warfare and maritime control operations. Currently eight air vehicles are deployed with Marine forces and have flown over 12,000 flight hours in support of Operation IRAQI FREEDOM. The Navy operates two air vehicles as test platforms for equipment and system upgrades, which will allow Pioneer sustainment until a follow-on system is fielded. The current USMC UAS plan calls for sustainment of the Pioneer UAS through at least FY 2015, pending the fielding of a replacement system.

III. Developing 21st Century Leaders

A. Taking a Fix

The men and women of the United States Navy - active, reserve and civilian - are the lifeblood and heart of the Service. And today they are the best, most talented and capable team of professionals the nation has ever assembled. The Navy currently has an active force of 357,474, of which 39,775 are now deployed. Our reserve community consists of 74,632 sailors, 4,281 of whom are now activated.



Manpower vs Capability

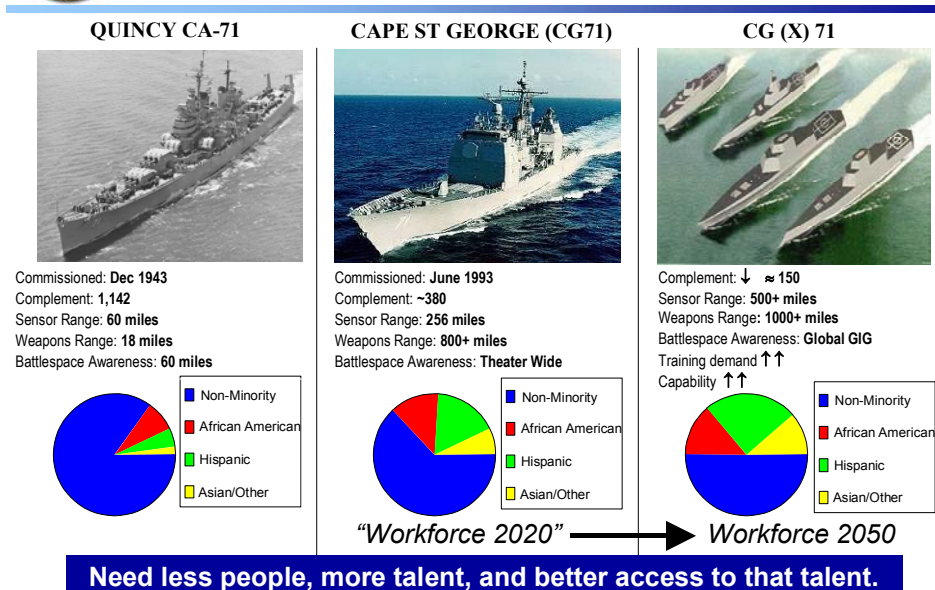


Figure 3

The Navy's *Strategy for Our People* provides overarching guidance for achieving a capabilities-based and competency-focused Total Navy workforce (active, reserve, civilian) in synch with Joint

and Service-specific mission requirements. Capitalizing on the success of manpower and personnel reforms over the last several years, we will shape a more agile and operationally capable Navy. While we address our skill imbalances we will also focus and improve our efforts in the talent marketplace to achieve a more diverse workforce (see Figure 3 above). We will link and leverage SEA WARRIOR and National Security Personnel System (NSPS) processes to achieve an agile and robust Total Navy personnel architecture that rewards performance and can quickly respond to emerging competency demand signals.

In FY 2005 the Navy met 100% of its active enlisted accession goal, with 95% high school graduates and 70% in test score category I-III A. For reserve enlisted recruiting, Navy met 85% of FY 2005 accession goals, with shortfalls in ratings with insufficient numbers of Navy veterans (e.g. Seabees, Master at Arms). In officer programs, 84% of active component goals and 90% of reserve goals were attained in FY 2005. Shortfalls were mostly in Medical programs.

Retaining the best and brightest Sailors has always been a Navy core objective and essential for our success. Navy retains the right people by offering rewarding opportunities for professional growth, development, and leadership directly tied to mission readiness. Navy has remained successful in filling enlisted operational billets around the world to sustain Fleet readiness objectives.

Key to these successes has been Navy's aggressive program to enhance quality of service for our Total Navy (the combination of quality of work and quality of life). We continue to monitor the impacts of an improving economy and the War on Terror to ensure programs support Sailors and their families and contribute to making the Navy their career of choice. We remain focused on providing adequate pay, health care, housing, proper work environments, and career-long learning for our Sailors.

But retention and the drive to attract and hold onto the best people, underscores the need to seek efficiencies in the force - efficiencies that ultimately will translate into reduced end strength. By the end of FY 2006, your Navy will have reduced its active end strength by almost 30,000 (7.7% of the active component) since 2003. Further reductions will result from efficiencies yet to be realized through technological advances that eliminate outdated, labor-intensive jobs. As potential reductions in manpower are identified, the Navy will execute these reductions in a planned, controlled, and responsible manner that is consistent with the security interests of the country.

Prior to considering Sailors for separation (and selective application of voluntary separation incentives), we employ a progressive approach to evaluate options for retaining Sailors by shifting personnel from overmanned to undermanned skills through retraining and conversion. This is accomplished through a variety of means, including the Perform to Serve, Lateral Conversion Bonus, transfer to fill valid reserve component requirements, or through inter-service transfer (e.g. Army's Blue-to-Green initiative).

After exhausting all logical retention options, consideration is given to releasing Sailors whose service/skills are no longer required. Under no circumstances should we retain personnel in over-manned skills

if it is not feasible and cost-effective to move them into undermanned skills. To do so would be poor stewardship of taxpayer dollars and would force Navy to endure gaps in undermanned skills to remain within authorized aggregate strength levels, thereby adversely impacting personnel readiness.

In parallel with the Strategy for Our People, we are pursuing an Active-Reserve Integration (ARI) program that will support a more operational and flexible unit structure. The Navy Reserve is evolving into a flexible, adaptive, and responsive operational force needed to fight the asymmetric, non-traditional threats of our future. Active-Reserve Integration has already enabled a Reserve Force that is ready, relevant, and fully integrated into our nation's defense both overseas and in the homeland. We recognize and value the diverse skills our Reservists possess, accrued in both military service and civilian life.

Our vision for the future is to capture the skills of our outstanding citizen Sailors for life. In the "Sailor for Life" model, Reservists would seamlessly transition between reserve and active components, answering the nation's call to arms when needed. The Congress' continued support of financial incentives and bonuses will ensure the retention of these highly skilled Sailors.

Navy Reserve Sailors have performed a pivotal role in the Global War on Terror. Mobilized Sailors provide a portion of this support - 4,281 Sailors are currently serving on involuntary mobilizations in such areas as Customs Inspection, Cargo Handlers, Navy Coastal Warfare, Naval Construction Battalions, Medical and Corpsmen, Helicopter Special Operations Forces Support and numerous others. But mobilization alone does not reflect the total contribution of the Navy's Reserve. On any given day, an additional 15,000 Reservists are providing operational support to the Fleet around the globe. During the past year, Reserve Sailors have provided over 15,000 man-years of support to the Fleet. This support is the equivalent of 18 Naval Construction Battalions or two Carrier Battle Groups.

Finally, we must recognize another aspect of readiness that is equally as important as preparing and maintaining our ships and training and equipping our Sailors. "Family readiness" describes the support needed to ensure our Sailors and their families are as well prepared for operations as our ships and airframes. The Navy is working hard to implement the right support mechanisms, Ombudsman training, Family Advocacy programs, Spouse Education and Employment programs, mentorship, and family counseling. We can do little without the support of our families, and it is up to us to ensure they are well taken care of and ready and eager to support.

B. Plotting the Course: Where we're heading in Developing 21st Century Leaders

To better serve the men and women who are the United States Navy, and in turn, enable them to be as effective as possible in a challenging new global era, we must: improve diversity; encourage and reward continuing education and training that stresses critical thinking; institutionalize executive development; assign our best and brightest to critical Joint, interagency, and foreign exchange tours; increase access to foreign language and cultural awareness training; respond

rapidly to significant changes in leading indicators for recruiting and retention; and, better recognize the important role families play in our readiness and quality of life. It is this commitment to our own that will best demonstrate our resolve and determination in a new era.

New opportunities and security challenges require new skill sets. Brainpower is as important as firepower. Our Sailors must be empowered to operate and fight in a vast array of environments that range from failing states and ungoverned spaces to the most technologically advanced nations, virtual worlds and cyberspace. They will form the foundation of an expeditionary force when and where required. They will be expected to understand and foster cooperation in cultures far different from our own. They will be ambassadors, educators, health care providers, mentors, and friends to a diverse cross-section of the global community. They must be equipped with the tools and skills to meet these challenges, to excel as professionals, and to develop as individuals.

We are increasingly leveraging technology to improve our warfighting advantage and to broaden the skill sets required to meet the multi-cultural, asymmetric challenges of this century. Advances in ships and system design allow us to shed some obsolete, labor-intensive functions while improving productivity and war fighting readiness. Economies are gained by eliminating redundant and non-essential skill sets. The optimal end-strength for our active and reserve components must reflect the economies derived from transforming the force to meet the challenges we face in this new century.

The concept of Total Navy encompasses those serving the Department of the Navy in uniform and in a civilian capacity, active and reserve component alike. NSPS is a new personnel system that will create civil service rules for the 750,000 civilian workers in the Department of Defense. It strengthens our ability to accomplish the mission in an ever-changing national security environment. NSPS accelerates Department of Defense efforts to create a Total Force (military personnel, civilian personnel, Reserve, Guard, and contractors), operating as one cohesive unit, with each performing the work most suitable to their skills. The Navy's Strategy for our People needs a manpower and personnel system that appropriately recognizes and rewards our civilian employees' performance and the contributions they make to the Department of Defense mission. NSPS gives us better tools to attract and retain good employees.

Throughout Total Navy, diversity is a fundamental building block upon which the Strategy for our People stands. The Navy's diversity objectives are aimed at improving our access to the full range of the nation's talent and improving our ability to harvest and represent the full strength of the nation. The Strategy for Our People views Total Navy as a team, whose people are treated with dignity and respect, are encouraged to lead, and feel empowered to reach their full potential. Total Navy diversity represents all the different characteristics and attributes of individual Sailors and civilians, which enhance our mission readiness.

Training, education, mentoring, and leadership programs are aimed at increasing awareness of diversity and creating a culture that promotes growth and development opportunities for every member of the Navy.

These programs are currently funded through Training and Education commands. Specific diversity-focused training for leadership is a newly funded initiative that seeks to create awareness and communication skill competencies for all levels of leadership and embed diversity values into the force.

The Navy is a full partner and supporter of the Department's Training Transformation Program. We are better preparing units and staffs for joint operations through the Joint National Training Capability, and individuals for joint assignment through the Joint Knowledge Development and Distribution Capability.

The cornerstone of Navy's Strategy for Our People is the SEA WARRIOR program. SEA WARRIOR comprises the Navy's training, education, and career-management systems that provide for the growth and development of our people. It provides them with greater individual career management and enables them to take a more active role in furthering their careers through education and training opportunities. SEA WARRIOR will include an automated, web-enabled system and processes which will increase overall mission effectiveness by efficiently developing and delivering an optimally matched, trained, educated, and motivated workforce.

C. Getting Underway: Programs and Practices in Support of Developing 21st Century Leaders

The Navy's *Strategy for our People* provides the guidance and tools to assess, train, distribute, and develop our manpower to become a mission-focused force that truly meets the warfighting requirements of the Navy. At the same time, we must improve the work-life balance and quality of service so our Sailors and civilians will enjoy meaningful job content, realize their important contributions, and have expanded opportunity for professional and personal growth. We will deliver all the above, while tackling head-on the pernicious challenges of sexual harassment, sexual assault, and substance abuse, and offering an environment that values and rewards diversity.

Programs and practices of particular interest include:

Diversity:

The Navy diversity strategy is aimed at creating and maintaining our Navy as a team, whose people are treated with dignity and respect, are encouraged to lead and feel empowered to reach their full potential. Specific initiatives are aligned under the four focus areas of recruiting, growth and development, organizational alignment, and communications. Navy has increased advertising and marketing funds specifically targeted at diversity recruiting for the past five years. We have also chartered outreach programs aimed at minority and female engineering and technical organizations.

Transforming training, education, mentoring, and leadership programs are aimed at increasing awareness of diversity and creating a culture that provides growth and development opportunities for every member of the U.S. Navy. The Navy is currently developing a Concept of Operations (CONOPS) for an aggressive program to increase the diversity of our Service.

Some Examples of progress to date include:

- Recruiting - Coordination of national public awareness and recruiting events. Increased diversity event sponsorship. More visibility into ROTC application, recruiting, and board processes.
- Developing - Diversity awareness and communication training has been built into all levels of leadership development courses; Navy-wide Equal Opportunity Advisor (EOA) / Diversity symposium will become an annual event.
- Alignment / Oversight - Diversity Senior Advisory Group and Fleet Diversity Councils will coordinate best practices with various Navy Enterprises.

Enlisted Retention (Selective Reenlistment Bonus):

Selective Reenlistment Bonus (SRB) continues to be our most effective retention and force-shaping tool, enabling us to retain the right number of high quality Sailors with the right skills and experience. More importantly, it affords Navy the ability to compete in a domestic labor market that increasingly demands more skilled, technically proficient, and adaptable personnel.

The Navy is continuing to transform our workforce by recruiting fewer generalists and becoming a predominantly technical and more experienced force. To retain the critical skills we need, our SRB strategy has shifted from targeting general skill sets with less than ten years of service, to focusing on the specialized skills of Sailors across the career continuum (up through 14 years of service). Navy has applied increasing analytical rigor in predicting and monitoring reenlistment requirements. By monitoring actual reenlistment behavior down to the individual skill level, Navy personnel managers review clear and unambiguous data to ensure precious SRB dollars are applied only when and where needed, based on requirements and outcome.

We are grateful to Congress for increasing the SRB cap from \$60,000 to \$90,000 and will ensure the higher award cap is judiciously applied. A portion of this increased SRB may be used to reverse declining retention among our most skilled personnel in the Nuclear Propulsion specialties. FY 2005 culminated in achieving only half of our zone B nuclear rating reenlistment goal and left several nuclear specialties at less than 90% of required manning. Applying an increased SRB level to retain these highly trained, highly skilled, and highly sought after personnel makes sense, both financially and from a force readiness perspective. The Navy saves over \$100,000 in training costs and 10 to 14 years of irreplaceable nuclear propulsion plant experience for each individual SRB enables us to reenlist. The additional flexibility provided by the SRB cap increase will allow Navy to incentivize experienced nuclear-trained personnel and to address other skill sets as retention trends emerge.

Having a flexible and adequately resourced SRB program will help us continue to sustain high readiness with a top quality work force.

Officer Retention:

Creating an environment conducive to professional growth that provides an attractive quality of service, including education, adequate pay, health care, and housing, will aid retention efforts. However, continued focus on increasing unrestricted line (URL) officer retention across all warfighting disciplines is required. Officer retention shows positive trends despite shortfalls in the ranks of Lieutenant Commander to Captain in the surface and submarine unrestricted line communities.

National Security Personnel System (NSPS):

NSPS strengthens our ability to accomplish the mission in an ever-changing national security environment. NSPS accelerates the Department's efforts to create a Total Force (military personnel, civilian personnel, Reserve, Guard and contractors), operating as one cohesive unit, with each performing the work most suitable to their skills.

Civilian Career Management:

The Navy supports efforts to develop a career management system for civilian employees. Our approach includes documenting and validating competencies for use in career planning and development. The validated competencies will be made available to the workforce as career roadmaps through both 5 Vector Models (Navy) and the Civilian Workforce Development Application (CWDA) (USMC). Also in process is the development of guidance directed toward supervisors and employees indicating how to use competency data to assist with the performance management process including career planning and development.

Health Care:

A vital part of Navy and family readiness hinges on our commitment to provide top quality health care for our active and retired personnel and their dependants. Navy Medicine transformation initiatives link authority and accountability to facilitate performance-based management that maximizes efficiencies while maintaining quality. Increases in the cost of providing health services in Navy Medical Treatment Facilities (MTFs), for example, have been kept below the healthcare rate of inflation and that trend is expected to hold true in the out years. As a priority, the Navy is also carefully monitoring the support offered to service members who were injured during OEF/OIF service, ensuring a seamless transition to the services available through the Veteran's Administration (VA).

The Department of Defense and Congress have established TRICARE as the "gold standard" health care benefit. Health care costs have increased dramatically in recent years and are expected to grow at rates that exceed standard indices of inflation¹. Far from being immune to these costs, the DoD must include this reality in the budgetary calculus of providing for the nation's security. DoD TRICARE costs have more than

¹ Total national health expenditures increased by 7.7% in 2003 (over 2002), four times the rate of inflation in 2003. Smith, C.C. Cowan, A Sensenig and A. Catlin, "Health Spending: Growth Slows in 2003," Health Affairs 24:1 (2005): 185-194

doubled in five years from \$19 billion in FY 2001 to \$38 billion in FY 2006, and analysts project these costs could reach \$64 billion by 2015 - more than 12% of DoD's anticipated budget (versus 8% today). On the other hand, TRICARE Premiums have not changed with inflation since the program began in 1995, so that total beneficiary cost shares have declined substantially - 27% of total benefit cost in 1995 while 12% in 2005.

When TRICARE for Life was developed for the 2001 National Defense Authorization Act, we could not have anticipated the growing number of retirees and their dependents, not yet Medicare eligible, who have chosen or have been driven to switch from private/commercial health care plans to TRICARE in order to better cope with rising health care costs. Indeed, the Services are increasingly picking up the tab for businesses, local and state governments unwilling or unable to provide adequate health care benefits to their retired Veteran employees.

The Navy will continue to meet our security commitments to the American people while fully supporting the health care needs of our active and reserve members and their families and keeping the faith with those who stood the watch before us. This can be accomplished by working cooperatively with Congress to implement carefully crafted initiatives and administrative actions that will restore appropriate cost sharing relationships between beneficiaries and the Department of Defense.

Family Advocacy:

Navy Family Advocacy Program (FAP) has led the way among the Services and the Department of Defense in domestic abuse policy and process by: providing victim advocacy at some Navy installations since the mid-1990s, and by (since 1997) responding to allegations of domestic abuse between unmarried intimate partners, providing a formal diversion process for low-risk cases, and providing limited discretionary reporting when a victim of domestic abuse seeks counseling voluntarily. Navy commands remain active partners in stopping family violence and responding to domestic abuse.

Sexual Assault

Navy now provides 24/7 response capability for sexual assaults on the installation and during deployment by activating watchbills for victim advocates and notifying the installation Sexual Assault Response Coordinators (SARC). Victims of restricted cases of sexual assault are offered advocacy, medical and counseling services without triggering an investigation through law enforcement or the command.

Active-Reserve Integration:

Active Reserve Integration (ARI) aligns Reserve Component (RC) and Active Component (AC) personnel, training, equipment, and policy to provide a more effective and efficient Total Navy capable of meeting dynamic National Defense requirements.

The Navy is currently aligning RC and AC units to better meet Operation IRAQI FREEDOM and Operation ENDURING FREEDOM requirements and the Navy's vision for our future force structure: RC Helicopter-Combat Support (HCS) missions will be integrated into AC Helicopter missions;

RC and AC Explosive Ordnance Disposal (EOD) Units are being integrated and two RC Navy Coastal Warfare Units (NCW) are being converted to the AC. The Navy is also studying the role of the RC in future Navy mission areas of Riverine Warfare and Civil Affairs. In support of Operations Iraqi Freedom and Enduring Freedom, AC and RC Sailors are working together to fill billets in Civil Affairs, Detainee Operations, Intelligence, and Reconstruction Team efforts.

The Navy Reserve has evolved from a strategic force of the Cold War to the flexible, adaptive and responsive operational force required to fight the asymmetric, irregular wars of the future. Change of this magnitude is not easy and challenges the senior leadership of both the AC and the RC. Support of the Congress is critical as we implement initiatives that will enable the effective and efficient use of both manpower and equipment, providing resources needed to recapitalize the Navy of the future. The total number of Navy Reservists, both Selected Reserves (SELRES) and Full Time Support (FTS), will be 73,100 at the end of FY 2006.

SEA WARRIOR:

SEA WARRIOR comprises the training, education, and career-management systems that provide for the growth and development of our people and enhance their contribution to our Joint warfighting ability. SEA WARRIOR leverages technology to provide Sailors the choice and opportunity for professional development and personal growth through Navy Knowledge Online (NKO), the Job Career Management System (JCMS), and the maturing of the 5 Vector Model-5VM (professional development, personal development, leadership, performance, certification and qualification). SEA WARRIOR will also provide commanders with a better manpower fit, matching the Sailor with exactly the right skills and training to the billet.

Task Force Navy Family:

Task Force Navy Family (TFNF) was established to help our people who were affected by hurricanes Katrina, Rita, or Wilma. In all, the lives of more than 88,000 Navy personnel, retirees, and immediate family members were severely disrupted. TFNF leveraged existing agencies and local Community Support Centers to ensure that each Navy Family was contacted personally and, if desired, assigned an individual "Family Case Manager." TFNF has resolved 15,300 unique issues (76% of those reported). Housing and financial problems were, and remain, the most difficult to resolve, with over 1,000 severe issues yet to be resolved.

TFNF has now completed its original task and has transitioned outstanding issues to Commander, Naval Installations Command and others for final resolution. In the process of serving our Navy family, TFNF has helped develop tools and structures that can be rapidly deployed in the event of future catastrophic events and render aid more efficiently and quickly.

Key lessons learned by TFNF focused on communications, information sharing, and taking care of those affected by the devastation. These lessons learned, including the need for a more effective method of accounting for the whereabouts of ashore personnel and their families

during crises, have been tasked to the appropriate organizations within the Navy for follow up and development of action plans.

Foreign Area Officer Program:

Recognizing the need to build partner capacity, the QDR calls for the Navy to reinvigorate the Foreign Area Officer program. Navy has begun establishing a separate Restricted Line community of 300-400 officers that will compete discretely for statutory promotion through Flag rank. Navy's Foreign Area Officers (FAOs) will form a professional cadre with regional expertise and language skills who will provide support to Fleet, Component Commander, Combatant Commander and Joint Staffs. Their immediate mission will be to rapidly improve the Navy's ability to conduct Theater Security Cooperation (TSC), improve partner capacity in GWOT, and generate Maritime Domain Awareness while improving Navy's readiness and effectiveness in the conduct of conventional campaigns against increasingly sophisticated regional adversaries. The first FAO selection board was held 14-15 Dec 2005. 42 personnel were selected for lateral transfer and four of these officers already meet regional/cultural expertise and language skill requirements. They will be detailed to existing FAO billets in FY 2006.

Joint Professional Military Education (JPME):

As ongoing operations in Iraq, Afghanistan, and the Global War on Terror (GWOT) vividly illustrate, Navy must continue to adapt to growing Joint warfighting and interagency planning demands. Meeting such requirements will prepare our nation to defeat extremist groups and state adversaries who will challenge us in ways far different than in the past. We continue to develop a continuum of professional education and training to enhance the ability of Navy leaders to provide unique and complementary warfighting skills. Leaders who demonstrate the highest potential for service will be rewarded with in-residence Joint Professional Military Education (JPME), to prepare them to excel in naval, Joint, multi-national and interagency billets around the world. Non-resident courses are often facilitated through Advanced Distributed Learning. Navy personnel are also enrolled in Joint Knowledge Development and Distribution Capability courses to better prepare them for joint assignments.

Navy Education:

Education is a key enabler in developing the competencies, professional knowledge and critical thinking skills to deliver adaptable, innovative combat-ready naval forces. The Navy will develop a continuum of capabilities-based and competency-focused life-long learning to keep naval forces on the cutting edge for mission accomplishment as well as to provide for the professional and personal growth of our people. Navy education must be tied to requirements and capabilities. Central to our efforts are the Naval Reserve Officers Training Corps (NROTC), the Naval Academy, Naval Postgraduate School, and the Naval War College.

The Naval Reserve Officers Training Corps (NROTC) Program comprises 59 NROTC units at 71 host institutions of higher learning across the nation. In addition, Departments of Naval Science are located at the United States Merchant Marine Academy

and 6 selected state maritime institutions, two of which also host NROTC units. NROTC is the key source of nuclear power candidates, nurses and increased officer corps diversity. NROTC is designed to educate and train qualified young men and women for service as commissioned officers in the Navy or Marine Corps. NROTC prepares mature young men and women morally, mentally, and physically for leadership and management positions in an increasingly technical military. In addition, participation in the naval science program instills in students the highest ideals of duty, honor and loyalty.

The Naval Academy gives young men and women the up-to-date academic and professional training needed to be effective naval and marine officers in their assignments after graduation. Renowned for producing officers with solid technical and analytical foundations, the Naval Academy is expanding its capabilities in strategic languages and regional studies.

The Naval Postgraduate School (NPS) is our cornerstone of graduate education providing relevant, defense-focused degree and non-degree programs in residence and at a distance. We are expanding resident opportunities at NPS where the distinctly Joint and international environment contributes to the resident academic experience by mirroring the nature of today's operating forces. Included in this expansion is the support of regional expertise development within our Foreign Area Officer program. We are also increasing access to NPS graduate education through a variety of non-resident, distance learning opportunities.

NPS may be one of our best tools to ensure the alignment of advanced operational concepts and technologies among the Department of Defense, Homeland Security, Inter-agency, and international military partnerships. NPS provides specialized programs that support U.S. national security priorities and the Combatant Commanders, including counter-terrorism, homeland security, and security cooperation. Masters Degree programs and seminars have been developed on Homeland Defense and Security, as well as Counter-drug Strategy and Policy, for the Department of Homeland Security. NPS teaches a classified graduate education program for the National Security Agency, is a University of choice for the National Reconnaissance Office, and NASA sponsors the annual Michael J. Smith NASA Chair at NPS with focused areas of space research, education and training for future astronaut candidates. Additionally, NPS receives sizeable annual funding from the National Science Foundation for basic research in oceanography, meteorology, information sciences, engineering, and technology development, often partnering with other universities on interdisciplinary research projects.

The Naval War College is the centerpiece of Navy Professional Military Education and maritime-focused Joint Professional Military Education that develop strategically minded critical thinkers and leaders who are skilled in naval and Joint warfare. The Naval War College is restructuring its programs to improve comprehensive development of operational warfighting competencies, and key cross-functional and special competencies, including regional studies. We are increasing both War College

resident and distance learning opportunities. Completion of non-resident courses and programs is facilitated through Advanced Distributed Learning.

IV. Conclusion

The Navy cannot meet the threats of tomorrow by simply maintaining today's readiness and capabilities. Our adversaries will not rest, our global neighbors will not wait. Neither will we. Building upon Sea Power 21, we must continue to transform and recapitalize for the future without jeopardizing our current readiness and the strides we have made - and continue to make - in personnel and manpower management. With our partners in industry, the acquisition community, OSD, and the interagency, and with the continuing support of the Congress, the Navy will build a force that is properly sized, balanced -- and priced for tomorrow.

We will build for our nation and its citizens the right Navy for a new era. American Sea Power in the 21st Century is the projection of power, and more: it extends beyond the sea; it is Joint and interagency; it requires awareness and understanding; it enables access and cooperation; it provides for presence and interaction; it is driven by compassion and collective security; and, it is decisive and lethal.

Your Navy would not have remained, for 230 years, the world's premier maritime force without the constant support of the Congress and the people of the United States of America. I would therefore like to thank you once again, on behalf of the dedicated men and women who daily go in harm's way for our great nation, for all that you do to make the United States Navy a force for good today and for the future.